

**AGENDA**



**Recommendation for Council Action (Real Estate)**

<b>Austin City Council</b>	<b>Item ID:</b>	71741	<b>Agenda Number</b>	20.
<b>Meeting Date:</b>	August 3, 2017			
<b>Department:</b>	Office of Real Estate Services			
<b>Subject</b>				
Authorize negotiation and execution of a 60-month lease with two five-year renewal options, with EAST HOLLY, LLC, A TEXAS LIMITED LIABILITY COMPANY for approximately 3,580 square feet of lease space at 417 Red River Street, in Austin, Travis County, Texas. (District 9)				
<b>Amount and Source of Funding</b>				
There is no anticipated fiscal impact.				
<b>Fiscal Note</b>				
A fiscal note is not required.				
<b>Purchasing Language:</b>				
<b>Prior Council Action:</b>				
<b>For More Information:</b>	Mark Tester, Austin Convention Center, (512) 404-4040; Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, (512) 974-5649.			
<b>Boards and Commission Action:</b>				
<b>MBE / WBE:</b>				
<b>Related Items:</b>				
<b>Additional Backup Information</b>				

The Austin Convention Center (“ACC”) desires to lease approximately 3,580 square feet of space to East Holly, LLC, a Texas limited liability company (“East Holly”). East Holly is a privately-held, member-managed, woman majority-owned limited liability company, specializing in brewing and producing approachable, premium craft beer for sale from its tasting rooms.

East Holly plans to operate a craft brewery called Central District Brewing, a new brewpub located in the ACC lease space that offers conventioners, tourists and local visitors to downtown Austin an opportunity to experience Austin by drinking local and knowing the artisans that have crafted the products they are consuming. Central District Brewing will be accessible to a large number of patrons who will be able to walk, bike, or take public transportation to the brewery.

The Office of Real Estate Services had a third-party rent survey conducted and a third-party financial review determining financial capacity. East Holly, as Tenant, shall design, construct and pay for all tenant improvements. Tenant improvements are estimated to be \$350,000. Rent shall be \$22 per square foot per year for the first five years. All tenant improvements, including design of retail space, design of signage, and construction of retail space shall be approved by the City. Ten unreserved parking spaces, located in the 5th Street Convention Center parking garage, are included as part of the lease agreement. Tenant will be responsible for their operating expenses, which will include insurance, pro-rata share of taxes, garbage recycling and disposal services, janitorial, chilled water, window cleaning, telephone service, internet service, security services, installation, maintenance, repairs, and replacement of mechanical, electrical, heating ventilation/air-conditioning, plumbing and signage. A one-time-only referral fee in the amount of \$3,580 is payable to East Holly’s licensed broker, Daniel Lawrence McKinley, at the time of lease execution.

Lease Period	Base Rent per Rentable Square Feet (RSF) per year	Monthly rental	Annual collection	Total collection over initial 5 year term
Years 1-5	\$22.00	\$6,563.33	\$78,760.00	\$393,800.00

Tenant shall have the option to renew for two additional five (5) year periods. The first renewal term shall be extended under the following rates:

First Extension Option	Base Rent per Rentable Square Feet (RSF) per year	Monthly rental	Annual collection
Year 6	\$25.30	\$7,547.83	\$90,574.00
Year 7	\$26.06	\$7,774.57	\$93,294.80
Year 8	\$26.84	\$8,007.27	\$96,087.20
Year 9	\$27.65	\$8,248.92	\$98,987.00
Year 10	\$28.48	\$8,496.53	\$101,958.40
Total anticipated collection over first 5 year extension option:			\$480,901.40

The rent during the second renewal term will be at the then-prevailing fair market value for similar space. The City will complete a market rent study at that time, at the City’s expense, to determine the price per square foot for years 11-15.

